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ABSTRACT

The New Jersey State government could reduce pupil transportation aid payments to local school districts by between $35 million and $50 million by eliminating support for questionable expenditures and by using the funding formula adopted in the Quality Education Act of 1990. This report describes how these dollar savings can be achieved. The major conclusion is that the general approach of the new funding formula affords a matchless framework for controlling costs, if properly employed. At present, however, needlessly high payments are being made to a number of districts. Problems with the new formula include inaccuracy in reporting, overpayment, rewards for past inefficiencies, transportation for special education students, the use of population density as a factor for determining transportation costs, and "aid-in-lieu of" transportation of private school pupils. Five recommendations are made to change the aid formula, data-collection process, and practices. Six tables are included. (LMI)

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Pupil Transportation Cost Control Opportunities

> *"It is obviously not necessary that a given object of expenditure should be exclusively wasteful in order to come in under the category of conspicuous waste."*
>
> — Thorstein Veblen, ***The Theory of the Leisure Class*** *(1899)*

The New Jersey state government could reduce pupil transportation aid payments to local school districts by between $35 million and $50 million by eliminating support for questionable expenditures and by using the funding formula scheme adopted in the Quality Education Act of 1990 to establish standards of efficiency. This report describes how dollar savings of this magnitude can be achieved. The major conclusion of this report is that the general approach to providing transportation aid to local school districts incorporated into the new funding formula adopted in 1990 affords a matchless framework for controlling costs, in the event that state government policymakers choose to employ it properly. At present, however, through the particular formula elements enacted in 1990, needlessly high transportation aid payments are being made to a number of districts, at great expense to the taxpaying public. The pupil transportation aid formula should be changed to promote efficiency through the application of benchmarking principles, and some formula elements should be altered to reduce unnecessarily high aid payments to some districts. If policymakers act with dispatch on PARI's recommendations, a substantial reduction in transportation aid expenditures could be realized in next fiscal year's state government budget. This action should be taken, despite the provisions of the Public School Reform Act of 1992 which set the total level of pupil transportation funding for next school year at the school year 1992-93 amount plus $4 million.

"Pupil transportation is one of the least analyzed elements of education expenditures in New Jersey." This was the opening sentence of our October, 1988, report entitled **Needed: Pupil Transportation Funding Reform**. Unfortunately, the statement remains as true today as it did then, despite a new pupil transportation funding policy incorporated in the Quality Education Act of 1990 (QEA I). In the 1992-93 school year, pupil transportation aid expenditures total $261 million. With spending of such magnitude, more than the direct state services budget for most state government departments, as shown in Table 1, the pupil transportation aid process clearly warrants close attention. As Table 2 shows, state government expenditures for this purpose have increased markedly during the past

EA 025 029

TABLE 1

Comparison of State Government Total Pupil Transportation Aid to Direct State Services Appropriations for Selected State Government Departments: Current Year

Expenditure	Amount ($ millions)
Total Pupil Transportation Aid 1992-93 School Year	$261
Adjusted Direct State Services Appropriations for Fiscal Year 1993	
Department of Agriculture	$ 7.4
Department of Banking	6.0
Department of Commerce and Economic Development	17.6
Department of Community Affairs	24.4
Department of Education	35.9
Department of Environmental Protection and Energy	161.2
Department of Health	36.0
Department of Insurance	13.8
Department of Labor	52.5
Department of Military and Veterans Affairs	51.7
Department of Personnel	30.9
Department of Public Advocate	47.9
Department of State	10.9
Department of Transportation	101.4
Department of Treasury	173.1

Sources: *Unpublished New Jersey Department of Education data and* ***State of New Jersey Budget Fiscal Year 1993-94.***

TABLE 2

State Government Pupil Transportation Aid Expenditures: School Year 1982-83 to School Year 1992-93

School Year	Amount ($ millions)
1982-83	$115.3
1983-84	116.0
1984-85	128.8
1985-86	155.3
1986-87	157.2
1987-88	179.1
1988-89	194.4
1989-90	200.2
1990-91	200.2
1991-92	247.9
1992-93	258.3*

**Appropriated amount.*
Source: *Ernest C. Reock, Jr.,* ***State Aid for Schools in New Jersey*** *(part 2) (Rutgers University Center for Government Services, April, 1993).*

decade. The transportation aid formula was changed in 1990 for two major reasons: to simplify the process by which districts report to the state government's Department of Education on transportation matters and to promote efficiency of operation of district transportation systems. The application of the new formula has not succeeded in either area.

QEA I significantly changed the pupil transportation funding formula. The previous transportation aid system was based on an approved expenditure method, with reimbursement of 90% of the actual costs of transportation incurred in the school year two years prior to the year in which the aid was paid. For school districts, the old funding method required exhaustive record keeping and extensive reports to the county superintendent's office. The administrative costs and paper work involved for the school districts were significant. In contrast, the new formula, based on an adaptation of a cost per transported pupil system, is designed to require a minimum of paper work and to promote efficiency by limiting the amount of aid. However, these benefits may be realized only when the aid levels used in the formula are based on prudent conceptions of the necessary costs of operations. We recommended the use of a cost per transported pupil approach in our 1988 report as a spending control measure, with the proviso that research be conducted to determine formula variables best suited to cost control in New Jersey. Unfortunately, that analysis was not done by New Jersey officials, and, as a result, the state government has unnecessarily expended millions of dollars in aid payments, defeating a prime justification for adopting a new transportation funding approach.

The concept of the new formula for pupil transportation aid is similar to the one used in Washington state since 1984. This state-of-the-art approach is relatively simple but allows for key formula variables to be applied to each district. State education agency officials in Washington, knowledgeable in the area of pupil transportation, worked with extreme care to build their formula by determining the variable factors affecting transportation costs per student in their state. They estimated reasonable costs per student by sampling representative districts and developed a plan for handicapped transportation cost evaluation. In short, they benchmarked, pegging aid amounts to best practice, and used the transportation aid formula to force school districts to be efficient. Approximately two years after initial implementation, Washington state officials reevaluated the formula and identified a few mistakes in the method for aid for transportation of handicapped students. Quickly, necessary changes were made. At present, they are developing a more refined system to address transportation of students to special academic programs during the school day. In short,

Washington developed a finely tuned plan for pupil transportation aid which curtails wasteful district practices.

The same cannot be said for New Jersey's progress in developing a new method for transportation aid. The new formula was developed in haste, and New Jersey's experts from the Department of Education's Bureau of Pupil Transportation were not even consulted. A formula similar to the Washington state model was adopted, but, unfortunately, the formula factors concerning cost per student around the Garden State were insufficiently evaluated. Previous patterns of expenditure, some of them excessive, were incorporated into the formula, evidently to fit a predetermined target level of expenditure. As a result, serious problems have arisen. As a concept, the move from reimbursement to an aid formula is a significant step in the right direction, but the purpose of making the change has been defeated by enacting a formula which bases aid allocations on bloated costs from past years. From the 1990-91 school year to 1991-92, New Jersey increased its total state aid payments for pupil transportation by 24%, with questionable benefit. This percentage increase was partially attributable to a Fiscal Year 1991 budget decision in which the old formula was underfunded, as an economy initiative, by about $39 million. The adoption of a new approach to state government funding of pupil transportation should not have resulted in a huge spending hike. As Table 3 shows, aid payments changed dramatically in some districts as a result of the implementation of the new formula.

GEA I Transportation Aid Formula: First Implemented in 1991-92 School Year

Each district's transportation aid equals the sum of the following three equations:

A1 = R x C + (R x D x W)
A2 = RS x CS + (RS x DS x WS)
A3 = (R + RS) x [(P x PM) + (E x EM)]

R – Number of pupils eligible for transportation (remote students, public and private)
RS – Number of special education pupils eligible for transportaton
C – Per pupil constant: 502.27 in very high cost counties[1]
365.10 in high cost counties[2]
254.41 in medium cost counties[3]

CS – Per pupil constant for special education students:
1,051.72 in very high cost counties
914.55 in high cost counties
803.86 in medium cost counties

D – Average distance between students' homes and schools
DS – Average distance between special education students' homes and schools
W – Transportation mileage weight: 21.57 in very high and high cost counties
14.19 in other counties

WS – Transportation mileage weight for special education:
64.05 in very high and high cost counties
56.68 in other counties

P – Population density of the school district
PM – Population density multiplier (.00541)
E – District size (enrollment)
EM – Enrollment multiplier (.00762)

1. *Bergen.*
2. *Essex, Hudson, Middlesex, Passaic, and Union.*
3. *Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Hunterdon, Mercer, Monmouth, Morris, Ocean, Salem, Somerset, Sussex, Warren.*

Reporting Inaccuracy and Overpayment

The process of school district reporting to the Department of Education for pupil transportation funding is much simpler under the new formula. Too simple, in fact, as the Department of Education's Bureau of Transportation now lacks some pertinent information which would be helpful in analysis supportive of cost control. The new formula is based solely on the number and type of students transported and the average distance transported. As a result, districts no longer report the number of bus routes, the number of vehicles used, nor whether routes are contracted out or operated by the district. This and other basic information, which the department should be using for oversight and national comparative purposes, is no longer being collected. Such basic data as the number of routes a district operates would hardly be a major burden in the reporting process. The number of contracted bus routes and their destinations are essential pieces of information for county superintendents' offices, where the bidding process for contracting is monitored. We criticized the old formula in our 1988 report for its cumbersome reporting process. This criticism and that of others appears to have resulted in the Department of Education abdicating good judgment in halting the collection of even the most basic district transportation information.

Districts receive aid under the new formula on the basis of a combination of the number of transported students and the average distances involved. An alteration of either one of these figures could result in a change of considerable magnitude in the total aid provided to the district. Reporting accuracy is a key area of concern. If the numbers of transported regular and special education students eligible for transportation are overstated, the result is inappropriately increased amounts of state government aid going to the district. For example, Medford Township in Burlington County reported a total of 2,416 transported

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students in school year 1991-92 (excluding non-public school students). Medford's total enrollment is only 2,474. Certainly, more than 58 students in this small community with five elementary schools live within two miles of school, the distance beyond which transportation is to be provided and aided by state government funding. Some districts report average home to school mileages that appear to be inconsistent with the size of the district, likely the result of guessing rather than measuring individual student mileages.

In every aspect of reporting, both financial as well as general statistical information, many New Jersey school districts do not appear to make a strong effort for accuracy. As we noted in our February, 1992, report, **Five Recommendations on Education Management Information**, even crucial enrollment data can be questionable. Whether inaccurate reporting is due to sloppy record keeping or deliberate misrepresentation, errors are evident in pupil transportation reports. Because districts are so rarely brought to task for inaccurate reporting, some put a bare minimum of effort into ensuring data accuracy. Auditing of the school districts by the Department of Education is minimal for all areas of reporting, including the expensive area of pupil transportation.

The pupil transportation funding formula has a major flaw. Pupils classified by child study teams as special education students are eligible for special transportation as required by the student's needs. Regardless of classroom requirements, many of these students do not require special transportation and are comfortably transported on standard large yellow school buses with regular students. At present, many districts appear to report, for transportation aid purposes, special education students as such, regardless of the type of transportation they actually receive, resulting in some districts collecting enriched aid payments for transporting special education students who are not actually provided with special transportation. This practice is not improper, as the law is presently written. In the 1988-89 school year, slightly over 62,000 special education students were transported. In the 1991-92 school year (the basis for the 1992-93 transportation aid calculations), approximately 74,000 special education students were reported as being transported. Other Department of Education data indicate that the enrollment increase of students with disabilities over that three year period was only 5.6%, not 19% as it would appear by the pupil transportation total. This nonspecific wording in the funding formula for special education students translates to approximately $5 million in state government transportation aid unnecessarily paid to local districts.

TABLE 3

Percentage Change in State Government Aid for Pupil Transportation, Selected Districts With Major Changes: School Year 1990-91 to School Year 1991-92

County	District	1990-91 Aid Under the Old Formula	1991-92 Aid Under the New Formula	Percentage Change
Bergen	Bogota	$132,856	$70,270	- 47%
	Edgewater	168,293	216,026	28
	Elmwood Park	278,558	352,462	27
	Fairview	191,755	136,531	- 29
	Hackensack	569,884	413,875	- 27
	Leonia	104,723	27,672	- 73
	Pascack Valley	574,837	734,753	28
	Teaneck	1,123,878	1,527,978	36
Essex	Bloomfield	684,594	840,683	22
	Livingston	842,573	565,217	- 33
	Millburn	319,151	448,112	40
	Orange	620,607	471,569	- 24
	Verona	133,586	64,787	- 51
Passaic	Hawthorne	357,569	253,038	- 29
	Lakeland Reg.	274,534	475,552	73
	West Milford	1,165,095	2,084,364	78
Cumberland	Downe Twp.	57,925	175,153	202
	Commercial Twp.	204,727	482,730	136
	Hopewell Twp.	69,936	203,389	191
	Millville	452,627	1,048,414	132
Camden	Bellmawr	114,674	69,419	- 39
	Black Horse Pike	552,102	1,172,513	112
	Camden	2,270,637	3,633,015	60
	Gloucester Twp.	1,038,275	2,003,109	93
	Haddonfield	104,436	45,602	- 56
	Pennsauken	993,941	1,607,188	62
Ocean	Brick	2,179,580	3,928,132	80
	Lt. Egg Harbor	180,815	536,875	197
Mercer	Lawrence Twp.	559,298	680,169	22
	Trenton	1,863,668	2,614,465	40
	Washington Twp.	286,267	211,968	- 26

Source: *Unpublished New Jersey Department of Education printouts. Calculations by Public Affairs Research Institute of New Jersey.*

Promoting Efficiency

The new formula established a three tiered transportation aid system based on the county in which districts are located. The first tier consists of only one county, Bergen, which was determined to be a "very high cost" county. The law provides that, "A very high cost county is a county in which for the 1988-89 school year, the average cost per pupil mile for approved transportation... exceeded the statewide average by more than 85%. A high cost county is a county in which the average cost per

pupil mile...exceeded the statewide average by more than 15%." Five counties fit the latter description. All other counties—even those with low costs—were designated "medium cost" counties. The obvious problem with this approach is that it incorporated, essentially uncritically, an assumption that past pupil transportation practices were efficient, when no evidence supports that assumption. Rather than using the new formula as a means of forcing districts to be efficient by setting standards based on best practice and using those performance levels as a benchmark for providing aid amounts, the new formula rewarded past inefficiencies. As introduced in bill form, the original QEA I legislation did not include the "very high cost" designation; it was added later as an amendment. Exactly why and how these levels were determined is speculative. For example, a review of 1988-89 expenditures reveals no evidence to suggest that Middlesex districts' costs were higher than those in Mercer or Somerset counties. These latter two counties did not receive the special designation of "high cost" counties. The seven southernmost counties operated at costs considerably below the state average, but, for aid purposes, they were classified as "medium cost" counties, most likely the reason these counties enjoyed an unwarranted windfall in transportation aid. Upon enactment of QEA I, policymakers did not explain why these seven counties were not designated as low cost counties with formula factors lower than those for "medium cost" counties. A quick review of Table 3 will convince even the casual observer that the application of the new transportation aid formula using the factors mandated by QEA I has resulted in major changes in payments from 1990-91 to 1991-92. Relating aid strictly to patterns of expenditures for the 1988-89 school year, and the failure to account for counties operating below the state average, perpetuated the rampant inefficiency displayed in some districts and rewarded some efficient districts and the lower spending southern county districts beyond a reasonable level. Unfortunately, the legislated delay of the implementation of Generally Accepted Accounting Principles (GAAP) and the accompanying chart of accounts for New Jersey school districts until the 1993-94 school year means that a complete, rigorous evaluation of all district transportation spending patterns will be difficult until early 1995. In the meantime, some basic conclusions can be drawn, the first being that there is no justification for funding Bergen County districts at the present enriched level through the designation "very high cost" county. There also is no justification for districts in the low cost seven southern counties, particularly Cape May and Cumberland, receiving such large aid payments. This is a major area of concern, because millions of dollars are involved.

Load factors (transported pupils per vehicle) in Table 4 provide a dramatic illustration of the extreme differences in efficiency in pupil transportation exhibited in selected counties. We reviewed load factors in order to eliminate, for analytical purposes, the cost-of-living differences between northern and southern counties. Bergen County districts have by far the greatest collective inefficiency in this sample, with an average load factor of only 8.5. The only other average county load factor close to Bergen was Hudson's at 12.1. Hudson County was not included in Table 4 because 87% of the students transported in that county in 1988-89 were special education students, thus a relatively low load factor could be anticipated. Bergen County's special education students constituted 28% of the total for 1988-89. Bergen County has been divided into seven regions for the purpose of coordinating some special education transportation. As a further illustration, for that same year, Bergen districts transported 12,391 (including 3,478 special education) students a total of 8,043,375 miles in 1,455 vehicles. In contrast, Burlington County districts managed to transport 35,263 (3,934 special education) students, 10,202,675 miles in 900

TABLE 4

Students Transported Per Vehicle*, Selected County Averages: 1988-89

County Average	Students Transported Per Vehicle
Bergen	8.5
Burlington	39.2
Cape May	52.7
Mercer	26.8
Middlesex	22.6
Morris	35.8

*Aid-in-lieu of students excluded.
Source: *Unpublished New Jersey Department of Education printouts.*

TABLE 5

Basic Pupil Transportation Comparisons, New Jersey and Washington State: 1991-92 School Year

	Population Density Per Square Mile	Land Area in Square Miles	Number of School Districts	Number of Students Transported at State Expense	Total School Bus Mileage in Millions	Number of Vehicles Used	State Aid Per Student
New Jersey	1,042	7,468	596	440,000	125	15,000	$562
Washington	73	66,511	296	420,000	83	7,200	$425

Sources: *U. S. Census Bureau 1990 census data; U. S. Department of Education,* ***Digest of Education Statistics 1991; School Bus Fleet 1993 Fact Book****; interview with New Jersey Department of Education Bureau of Pupil Transportation Personnel; and Public Affairs Research Institute of New Jersey calculations.*

vehicles. This is even more surprising when land area is considered: Bergen has 237 square miles and Burlington has 808 square miles.

Transportation is one area where New Jersey's plethora of school districts contributes to excess costs. Washington state enrolls about two thirds of the number of pupils as New Jersey, but both states transport over 400,000 students at public expense. The similarity ends there. Washington state has about nine times the land area of New Jersey. Their approximately 7,200 vehicles travel 83 million miles. New Jersey's 15,000 vehicles travel 125 million miles (Table 5).

Bergen County is a perfect example of excess costs incurred when insufficient effort is made to regionalize transportation in an area with many small districts. (Bergen has 77 school districts, the largest number of any New Jersey county.) Morris County, with half the number of districts and a regional services commission which has consolidated special education, vocational, and private school routes since 1968, is an example of successful regionalization, with costs per student near the state average. Even in Morris County, much more could be done with some districts in regionalizing pupil transportation.

Other Formula Problems

Special education transportation presents some unique problems for many school districts. Some districts, particularly smaller ones, are suffering financial hardships due to the cost of providing the special transportation services needed by a handful of students. Wheelchair-equipped vehicles and special aides for seriously disabled students are just two examples of high cost necessities associated with transporting some students. One student's transportation needs can cost as much as $25,000 per school year. Some provisions for equipment and other support services required by unique situations should be incorporated into the funding formula.

The new formula reflects the notion that population density is a factor affecting pupil transportation costs. In many parts of the country, sparsely populated school districts receive enriched aid to neutralize the impact of low bus loads and long distances between bus stops. The New Jersey formula takes the opposite approach, rewarding densely populated districts. The factor employed here is the number of residents per square mile, not the number of students nor the number of transported students per square mile. The presumption behind this formula element is that urban districts bear a pupil transportation burden of some sort caused by traffic congestion, stop signs, and traffic lights. This "population density multiplier" is questionable. It was incorporated into the formula without compelling proof of community population density's actual and distinct impact on pupil transportation costs. The use of this density factor in the formula lacks a specific justification based on a body of evidence. As such, it is a virtual certainty that state government aid is needlessly being provided to some densely populated districts, in annual amounts up to $200 per pupil. This density factor, which is highest in Hudson and Essex counties, has served as a major escalator for the amount of aid these counties' districts receive. The enrollment multiplier in the third part of the formula equation also contributes to higher levels of aid for larger urban districts.

Aid-in-Lieu-of Transportation

By law, a district which transports remote public school students must also transport remote private school students residing within its jurisdiction. Many other states also bus private school students. However, New Jersey goes a step further and requires a $675 "aid-in-lieu-of" payment to parents whose children reside within areas that make them eligible for transportation but are not transported. In 1991-92, 51,835 private school students were transported to school, and 31,882 students' parents received aid-in-lieu-of transportation payments. Newark opts to pay $675 each for all 2,498 eligible private school students rather than transport them. Jersey City does likewise and pays for 981 students. This aid-in-lieu-of transportation process has proven to be controversial and expensive, not to mention a burden to many parents who must arrange alternate means of transporting children to school. Of course, most of these students are driven to school in a car, contributing to New Jersey's traffic congestion and environmental problems. This is occurring simultaneously with a new law under which 5,500 New Jersey employers face implementation of the employee trip reduction mandates.

The original goal for the public financing of transportation for private school students was to transport students, not to pay parents. The aid-in-lieu-of option was designed for unusual situations: for example, where only one or two students go to a particular school not located on regular school bus routes. Aid-in-lieu-of legislation has resulted in close to 32,000 children travelling to school by alternate means. In school districts where the state transportation aid level to the district is below $675 per pupil, aid-in-lieu-of parents are still paid the $675 amount, and the district must make up the difference. This results in education dollars going to private school parents in the form of a transfer payment. In such districts as Newark and many in Bergen county, where state government aid payments are close or equal to $675 per eligible student, the incentive to transport these private school students is simply not there. The Department of Education's Advisory Committee for Non-public Schools and the New Jersey Catholic Conference both have been outspoken in advocating pupil transportation for private school students rather than aid-in-lieu-of payments to parents. Although regionalization of special education bus routes has grown in recent years, unfortunately few attempts have been made to regionalize private school or vocational education transportation which would result in many more of these students being bused.

Recommendations

1. County superintendents should be directed by the legislature to study county pupil transporta-

TABLE 6

Percentage Increase in State Government Aid for Pupil Transportation, by County Average: School Year 1990-91 to School Year 1991-92

County	Percentage Increase
Atlantic	55%
Bergen*	2
Burlington	37
Camden	40
Cape May	72
Cumberland	97
Essex**	7
Gloucester	64
Hudson**	14
Hunterdon	7
Mercer	19
Middlesex**	39
Monmouth	9
Morris	7
Ocean	23
Passaic**	79
Salem	39
Somerset	- 2
Sussex	10
Union**	8
Warren	19

** Designated "very high cost" county for formula purposes.*
***Designated "high cost" county for formula purposes.*
Source: *Unpublished New Jersey Department of Education printouts. Calculations by Public Affairs Research Institute of New Jersey.*

tion needs, patterns, and present practices, and to recommend a county-wide plan for regionalizing transportation of private school, vocational education, and special education students. The effort should be coordinated and pursued according to standards established by the manager of the New Jersey Department of Education's Bureau of Pupil Transportation. This plan should not necessarily propose one large system; in some counties several, or even cross county integrated, systems may be best, but **the plan should include all districts**. Many counties already have some special services groups that are consolidating special education transportation for a number of districts. Expanding on these available services might be appropriate. In some cases, transportation of regular public school students might also be integrated into such a design.

2. The state government's pupil transportation aid formula should be revised. QEA I contemplated a 1992 review of the formula with the provision: "On or before April 1, 1992, and on or before April 1 of each subsequent even numbered year, the Governor, after consultation with the Department of Education, shall recommend to the Legislature any revision in any numerical value in ... [the formula] including the numerical criteria for a high cost county and a very high cost county, which is deemed proper, together with appropriate supporting information." Although no gubernatorial revisions were proposed, the legislature should take the initiative to curb unnecessary costs by adjusting the formula. Specifically, the "very high cost" category, which provides an unwarranted enrichment of transportation aid to Bergen county districts, should be abolished, and a new category, "low cost" county should be added and be applicable to the districts in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, and Salem counties. The elimination of the "very high cost" county category would save the state government $3.3 million by using the "high cost" formula for Bergen County districts. The creation of the "low cost" county category for the seven counties named, with new formula elements, lower than those for the "medium cost" category, realistically reflective of southern New Jersey operational and labor costs, would save the state government about $14 million. In this regard, note the average percentage increases for districts in these seven counties as shown in Table 6 which occurred as a result of their misclassification as "medium cost" counties in QEA I. Additionally, Middlesex and Passaic counties were misclassified as "high cost." Historically, the actual average costs incurred by districts in these counties have been close to the statewide average. The inclusion of these two counties in the "high cost" category in QEA I was perplexing, and, under the new formula, average state government transportation aid to districts in Middlesex and Passaic counties has soared. Putting these two counties in their proper category would save the state government $7 million. Thus, through revising the formula to establish a proper classification system, the state government would save over $24 million.

On another classification matter, enriched aid for the transportation of special education students should be provided only for those pupils who require nonstandard transportation services. The formula should be changed to this effect. At present, under the current formula, some districts are quite properly claiming enriched aid for all special education students who are transported, whether or not special transportation is provided. The state government would save $5 million by changing the formula in the recommended fashion, and, of course, this change would have no negative impact whatever on the comfort of the special education students, themselves.

The formula should also be changed to promote efficient district pupil transportation practices. This is an area of service characterized by inefficiency in a large number of New Jersey school districts. One measure of this widespread inefficiency is New Jersey's statewide average load factor, the measure of pupils per vehicle. New Jersey's load factor ranked 39th

among the states in terms of transportation at public expense in the 1991-92 school year, astonishing in view of the Garden State leading the nation in population density. In that year, the most recent for which data are available, New Jersey had a lower statewide load factor than every industrial state except Texas and Illinois, two states that, like ours, have unusually high numbers of school districts. New Jersey's statewide load factor was 44, much lower than the national average of 59. The legislature should consult with the manager of the New Jersey Department of Education's Bureau of Pupil Transportation and other nationally recognized experts to establish standards of efficiency in pupil transportation practices. The formula should then benchmark aid to the desired level of efficiency, with cost adjustments based upon county cost differentials along the lines suggested. This approach would force districts to become efficient or, alternatively, to fund with own source property tax revenues that portion of their transportation costs which exceed the state's standard of efficiency. This approach would inject fiscal discipline into pupil transportation services, similar to the state-of-the-art approach in Washington state. It is difficult for us to estimate the dimension of cost savings possible under this benchmarking strategy, however realistic savings of $10 million in state government transportation aid payments are possible.

The formula element which bases aid, in part, on population density should be eliminated. There is no available evidence to support the notion that population density, per se, imposes any particular cost on pupil transportation. In reviewing a number of other states' pupil transportation aid formulas, we have been unable to locate a parallel element anywhere. The elimination of this formula element would save $2.5 million dollars, funds which could be reallocated to provide aid to districts for special education pupils who require unique transportation arrangements.

3. "Aid-in-lieu-of" transportation of private school pupils should be eliminated, except in unusual circumstances with the express approval of the county superintendent. Private school students eligible to receive transportation should be transported. Recommendation 1 suggests the best approach. The aid formula should be adjusted to provide an incentive for regionalized transportation of private school pupils, specifically through the enrollment formula factor.

4. The official DOE form used for the collection of pupil transportation information from local school districts needs to be expanded to include basic operations information to promote greater accountability in the expenditure of public funds. The information collected must also reflect the type of transportation and the required services of special education students. **The legislature should authorize the position of transportation auditor for the DOE**; it is likely that such a position would generate savings greatly in excess of its cost.

5. The legislature should authorize a total review of transportation expenditures in early 1995, after the Generally Accepted Accounting Principles and the 2R2 chart of accounts has been employed in all districts for one year and, hopefully, after the recommendations of this report have been implemented.

—Joan M. Ponessa

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